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SUBJECT: Namibian Agriculture: An Inefficient but Key Employer

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Summary
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¶1. (SBU) Namibian agriculture employs - directly and indirectly -- approximately 70 percent of working Namibians. However, it contributes to less than ten percent of gross domestic product. Despite so much human activity involved in farming, Namibia's desert climate makes it highly dependent on food imports. Commercial farming yields most revenues, while subsistence farming employs a majority of the population. GRN initiatives to protect and promote Namibian farming are numerous. The GRN subsidizes poor farmers and has implemented import substitution and crop control schemes (limiting the exports and imports of key crops). It also imposes export quotas on some livestock to promote "value-added" meat exports. These and other GRN agricultural programs are aimed at protecting farming jobs, boosting local food production, and ensuring Namibia's food security. Namibia, though, can afford to import agricultural commodities and food products which, in many cases, may be cheaper given Namibia's arid conditions.

¶2. (SBU) Although well intended, the GRN's agricultural policies provide distorted incentives. Subsidies and protected crops may persuade marginal farmers to continue cultivating grains, when market forces would have pushed them to find alternatives. Quotas on livestock exports aimed at promoting value-added meat have pitted livestock farmers against slaughterhouse owners. In addition, the GRN continues to struggle with its land reform program, an initiative intended to provide better opportunities and productive farmland to historically disadvantaged Namibians. With limited financial resources agricultural programs are costly to the GRN, but faced with a 37 percent unemployment rate and the ruling SWAPO party's rallying cry for land during the independence movement, cutting agricultural programs would be politically difficult. End Summary.

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Commercial vs. Communal Agriculture
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¶4. (SBU) Namibian agriculture comprises two groups that are largely a legacy of Namibia's colonial and apartheid past: commercial farm owners who are almost exclusively white and communal farmers who are predominately poor and black, but also include some colored (mixed race) Namibians. Commercial farmers own huge parcels of land, primarily located in the south and central parts of the country, and produce a surplus of food sold in domestic and foreign markets. Black commercial farmers, most established since independence in 1990 with the help of the GRN's affirmative action scheme, are sometimes called "emerging farmers." Commercial farmers are represented by the Namibia Agricultural Union (NAU). The NAU has tried to court black commercial farmers, but some emerging farmers have preferred to stay out of the NAU.

¶5. (SBU) Communal farms are located throughout Namibia, but are found in larger concentrations in the northern regions, where more than 50 percent of Namibians live. No individual owns a communal farm, but traditional authorities (chiefs) generally act as the administrators of communal farm land with some central government oversight. Communal farmers are generally subsistence farmers, producing little excess food. Any surplus from communal farms is generally sold in local markets, thus communal farmers do not profit from the higher prices export markets offer. The Namibia National Farmers Union (NNFU) represents communal farmers. The NAU and NNFU collaborate at times via a consultative body called the Joint Presidency Committee (JPC).

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Livestock Drives Namibia's Agricultural Economy
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¶6. (SBU) Livestock farming (cattle, goat and sheep) is the most common form of agriculture in Namibia. A veterinary cordon fence divides Namibia. The majority of commercial farms are situated below (south of) the fence, a zone that has been internationally recognized as free of common livestock diseases such as foot and mouth (FMD). This permits commercial farmers to more easily export their livestock, or to sell their animals to local abattoirs to have them slaughtered and butchered for export. Most exported live animals are sent to South Africa, while meat is often shipped to European markets, where it can fetch a higher price. Most communal farms are located above the veterinary cordon fence, from where excess cattle is not easily exportable, unless the animal spends three weeks in a quarantine lot and then three additional weeks in a refrigeration facility after slaughter to ensure it is disease-free.

¶7. (SBU) Foreign markets (mostly Europe and South Africa) pay more for Namibian meat than the domestic market. A South African

slaughter house pays 3-7 more Namibian dollars (30-70 U.S. cents) per kilo for a live goat or sheep than its Namibian counterpart, after accounting for transportation costs. The GRN, in an effort to create jobs locally and to help reap more benefits from the value chain, instituted a quota in 2005 requiring small livestock farmers to sell a certain number of sheep (now six) to a Namibian abattoir for every live sheep or goat sold in South Africa. Small livestock farmers complain that this requirement favors local abattoirs over producers, as Namibian abattoirs in effect buy a live animal at below market prices and then sell the cut meat to South African companies at the higher South African price.

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Plants . . . Not Just Livestock
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¶8. (SBU) Namibia has a small but growing agronomic (grain and horticulture) sector. Considered the driest country in Sub-Saharan Africa, only 50 percent of commercial agricultural land is irrigated. The other half survives solely on seasonal rainfall. Communal farms enjoy very limited irrigation. Some high-value horticultural products like melons and grapes are grown primarily for export. South Africa is the primary importer of Namibian melons, while Europe is the primary market for Namibia's table grape growers. Few communal farmers are able to take advantage of the revenues that field crops can generate. However, the GRN provides them seed, fertilizer and plowing subsidies to encourage more productive communal farming. The Namibian Economic Policy Research Unit (NEPRU), a local economic think tank, argues that the subsidies have not achieved their desired aims. According to NEPRU, most communal farmers avoid fertilizers out of fear they will increase soil toxicity, while the plowing subsidy has largely benefited tractor owners who have simply raised their prices the same amount as the subsidy.

¶9. (SBU) Two isolated outbreaks (one near the Angolan border, the other near the town of Tsumeb) of "Bactrocera invadens" fruit fly have recently threatened Namibia's horticultural sector. The fly was first detected in May 2008, although it was not confirmed as

Bactrocera invadens until August. In October 2008, South Africa closed its border to Namibian fruit. South African authorities eventually authorized the resumption of imports after the GRN was able to demonstrate that the fly had not migrated to the southern parts of Namibia. Nevertheless, the damage had been done for many fruit growers. The oversupply of fruit on the Namibian market forced growers to sell much of their produce domestically, at less than half of what they could have earned in South Africa. Shortly after detecting the fruit fly last year, the Namibian Ministry of Agriculture expanded its detection program for plant pests.

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Namibia and Food Security
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¶10. (SBU) Namibia is dependent on food imports because it has little arable land (annual rainfall is extremely low), and due to droughts which occur every two to three years, as well as occasional flooding. Nevertheless, as a low-middle income country, the GRN and the private sector can afford to import what the country does not produce. However, Namibia's extreme income disparity means that the rural poor often do not have access to sufficient food; some 25 percent of Namibians applied for food assistance in 2008. Following floods in the north in 2008, the GRN released over USD 30 million in emergency food aid to help communities until the 2009 harvest. In January 2009, the press reported that many northern rural communities were not receiving emergency food rations, and the Prime Minister and other officials acknowledged problems with the emergency food distribution system. The local World Food Program (WFP) representative on January 20 told emboff that his agency has had little insight into how the assistance has been distributed, as the GRN had decided to "go it alone," saying it no longer required WFP's assistance. (Note: WFP is still active in Namibia -- mainly projects targeting orphans and vulnerable children - but, its main emergency food delivery program has been shut down. End Note).

¶11. (SBU) The steep increase in global food prices in 2008 only cemented the GRN's desire to decrease its dependence on imported foods. The GRN employs a number of policy tools - including an import substitution program, a program to increase horticultural production (known as the Green Scheme), and the development of a strategic grain reserve - to boost agricultural production, generate jobs, and increase food self-sufficiency.

¶12. (SBU) The Green Scheme program has to date produced few tangible benefits. Begun in 2003, Green Scheme is meant to develop 27,000 hectares of irrigated land over 15 years along Namibia's few perennial rivers. The plan aims to boost not only food production for internal consumption, but also to increase agriculture's contribution to GDP. Eugene Kanguatjivi of the Ministry of Agriculture's newly formed international cooperation division told

econoff that the Green Scheme is the "GRN's long term solution to food security." One objective of the Green Scheme is to match small-scale subsistence farmers with commercial farmers to teach them about commercial horticulture and crop farming. While some Green Scheme projects have managed to produce crops for sale, there is little evidence that subsistence farmers are benefiting. Kanguatjivi admitted that the Green Scheme had lost the GRN's attention until the 2008 food crisis. He noted that the GRN is now looking for outside investors to assist with the project.

¶13. (SBU) The National Horticulture Development Initiative (NHDI), the GRN's import substitution program, has enjoyed more success than the Green Scheme. The Namibian Agronomic Board (NAB), which oversees the program, sets the local production targets on a quarterly basis. Horticulture importers must report to the NAB on a monthly basis where they have sourced their produce. Importers who meet the NAB's local produce sourcing targets qualify to receive an import permit. Local horticultural product sales - mostly derived from commercial farms - have increased from about 7 percent to 27 percent of the total produce sold in country since the program began in 2002. Each year the NAB tries to increase the local content based on the data it receives from local producers and other sources. The NAB commissioned PriceWaterhouseCooper to study the NHDI's expansion potential. According to the study, Namibian suppliers could provide

up to 60 percent of domestic demand in the future. According to the NAB, most grocery store chains in Namibia previously sourced their produce from South Africa because it was more convenient and not necessarily because of cost savings. (Note: Most large supermarket chains in Namibia are South African, and carry South African products. End Note). GRN officials argue that local produce is generally more affordable than South African produce and that grocery chains (importers) now do not balk at NHDI requirements.

¶14. (SBU) The Agronomic Board is also responsible for managing the controlled grain crop program. The Board protects producers of controlled crops (white maize, wheat and millet) from foreign imports during the annual grain marketing season which usually runs from May 1 to August 31, after which the Board allows the import of the controlled crops into Namibia. Controlled crops also enjoy a price floor to ensure that farmers know the minimum price their grains will fetch. The GRN's "strategic reserve" of cereal grains project, begun in 2008, is a further attempt to reduce Namibia's dependence on foreign grains. The GRN hopes that seven newly constructed strategic reserve grain silos will encourage domestic farmers to produce even larger amounts of grain (especially in years with good rainfalls). Kanguatjivi from the Ministry of Agriculture told emboffs that the project faces a number of challenges, including a lack of skilled technicians to operate the silos, although they have implemented a training program to develop silo operators.

¶15. The GRN's efforts to protect the local milling industry by prohibiting imports of maize meal and wheat flour have complicated achievement of food security in some regions. For instance, Caprivi in the far northeastern corner of Namibia, has no significant maize production and must rely on maize meal shipments from Windhoek instead of importing it from much closer points in neighboring Botswana or Zambia.

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Land Reform Leads to Less Productive Land
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¶16. (SBU) The GRN's agricultural policies inevitably intersect with its land reform program. The government views agriculture and land redistribution as mechanisms to reduce the staggering rates of poverty and unemployment amongst historically disadvantaged Namibians, as well as a tool to correct some of the inequities of the country's apartheid past. The GRN has, to date, employed both a "willing-buyer, willing-seller" policy and expropriation, paying fair market value for land. The program has redistributed slightly over 200 previously white-owned farms, but most resettled farms have seen significant drops in productivity.

¶17. (SBU) Resettled farms are usually divided into smaller parcels to allow distribution to several families, but smaller parcels are generally less economically viable. Most resettled farmers lack the resources (capital, equipment and know-how) to operate a commercial farm for profit. Facing high maintenance costs, many resettled farmers have resorted to subsistence farming. Other resettled farmers, recognizing the challenges they face, have simply opted to sell off their livestock and lease their land to others, leaving the resettled farmers once again without any land to call their own. According to one slaughterhouse owner, resettled farmers who lack the resources to fund their operations, frequently sell their livestock before it reaches appropriate slaughtering size. Smaller livestock fetch lower prices at slaughter, thus perpetuating the farmers' poverty. Abattoirs that handle less livestock and smaller livestock are then underutilized and therefore less profitable.

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Good Intentions, Unintended Consequences
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¶18. (SBU) According to one well-respected Namibian economist, economics lecturer and former Fulbright scholar Sean Kalundu, many senior GRN policy makers rarely understand the negative economic implications of their decisions. The Green Scheme and the crop

control program, for instance, are intended in part to address the 37 percent unemployment rate, but they generally discourage more efficient agriculture and overlook the opportunity cost of using the GRN's funds for other initiatives. Controlling grain crops ensures that some farmers, who would normally exit the market and seek other jobs, remain in farming. These food security and job creation programs, without substantial investments, will likely continue to fall short of lifting large percentages of historically disadvantaged Namibians out of poverty. Larger government investments in these programs, however, run the risk of creating even more distorted incentives.

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Comment
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¶19. Although some of the GRN's agricultural policies have led to reduced revenues and distorted economic consequences, land reform is a political imperative. "Land" was at the heart of the independence struggle, i.e., returning land to its rightful owners and/or redistributing land to alleviate poverty. While employing more efficient agricultural production seems logical, alternative job opportunities for subsistence farmers are virtually non-existent. Realizing the lack of success of its land reform program, the GRN has decided to provide greater assistance to resettled farmers and focus more attention on green schemes. Allocating more resources to these programs will mean a reordering of national priorities, however, and this remains to be seen. End Comment.
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